CAMBRIDGE ELECTRIC LIGHT COMPANY
COMMONWEALTH ELECTRIC COMPANY

Direct Testimony of Rose Ann Pelletier

Exhibit CAM/COM-RAP

D.T.E. 00-83

I. INTRODUCTION

Q. Ms. Pelletier, please state your name and business address?

A. My name is Rose Ann Pelletier. My business address is 800 Boylston Street, Boston, Massachusetts.

Q. By whom are you employed and in what capacity?

A. Currently, I am Director of Transmission and Power Contract Administration for NSTAR. In that capacity, I am responsible for coordinating and managing issues associated with power and transmission purchase and sales contracts for Boston Edison Company ("Boston Edison"), Cambridge Electric Light Company ("Cambridge"), and Commonwealth Electric Company ("Commonwealth") (Cambridge and Commonwealth are referred to herein as the "Companies").

Q. Please describe your educational background and business experience.

A. I graduated from Providence College in 1977 earning a Bachelor's degree in Economics and from Boston College in 1979 with a Master's degree in Economics. In 1980, I joined Boston Edison as a research analyst in the Rates Department. Subsequently, I have held positions as Fuel Rate Analyst, Fuel Rate Administrator, Fuel Rate and Unit Performance Administrator, and Manager of Power Contracts.

Q. Have you previously testified in proceedings before the Department?

A. Yes, I have testified in a number of proceedings before the Department, most recently in support of Boston Edison's 1999 annual true-up filing, D.T.E. 99-107.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to provide support for both Cambridge's and Commonwealth's request for approval of the proposed Standard Offer Service rates to become effective January 1, 2001. My testimony also requests approval of the 1999 reconciliation of Standard Offer and Default Service expenses and revenues.

Q. What rate are the Companies proposing for Standard Offer Service for the year 2001?

A. The Companies propose total charges for Standard Offer Service for 2001 of 3.8 cents per kilowatt-hour ("kwh"). I note that my testimony does not address any Standard Offer Service Fuel Adjustment for 2001, which would be a separate adjustment subject to a separate filing or filings with the Department. See D.T.E. 00-70.

Q. Please explain Exhibits CAM-RAP-1, CAM-RAP-2, COM-RAP-1 and COM-RAP-2.

A. Exhibits CAM-RAP-1, CAM-RAP-2, COM-RAP-1 and COM-RAP-2 are the reconciliation of Standard Offer and Default Service, showing both supply and costs for the two years 1999 and 2000. The deferral balances at the end of 1998 for the Companies were zero because those balances were reconciled in the Transition Charges consistent with the proposal set forth in the Companies' first reconciliation filing with the Department in D.T.E. 99-90, which is currently pending before the Department.

Each exhibit is arranged in the same manner. On page 1, the total deferral balance is shown for each month of the respective year. Page 2 shows the revenues and costs each month for Standard Offer Service. It adds or subtracts the monthly over- or under-recovery to the prior month balance, adjusts for a carrying charge and calculates the new end of month deferral. Page 3 is the same as page 2, other than it calculates the monthly deferral for Default Service rather than the Standard Offer Service. Page 4 shows the transfer costs from the Companies' owned supply – namely purchased power contracts and the Companies' owned generation. Page 5 shows short-term power transactions. Page 6 shows the gigawatt-hours ("gwh") associated with the short-term costs detailed on page 5. Page 7 details wholesale revenue credits, if applicable. Page 8 shows the revenues for Standard Offer Service and Default Service. Page 9 shows the interest calculation for the Standard Offer deferred balance. Page 10 shows the interest calculation for the Default Service deferred balance.

Q. What is the source for Standard Offer and Default Service revenues shown in Exhibits CAM-RAP-1, CAM-RAP-2, COM-RAP-1 and COM-RAP-2?

A. The revenues through August 2000 for Standard Offer and Default Service are taken from the Companies' general ledgers; forecast revenues are reflected for the September through December 2000 period. It was assumed the Standard Offer

Service rates remain 3.8 cents per kwh through November 30, 2000 and then increase on December 1, 2000 to 4.450 cents per kwh. The assumed increase in December is attributable to the Standard Offer Fuel Adjustment.

Q. How did the Companies calculate expenses for Standard Offer Service as shown in this filing for 1999 and 2000?

A. There are four types of expenses: purchased power contracts, short-term, wholesale and Default Service.

1. 1999 Purchased Power expenses are the product of the actual generation, adjusted by losses, and the Standard Offer Service price of 3.5 cents per kwh.

   2000 Purchased Power expenses are the product of the actual generation, adjusted by losses, and the Standard Offer Service price of 3.8 cents per kwh.

   The December 2000 expenses were further adjusted by applying the Fuel Adjustment to that generation whose costs are variable, that is, generation purchased under long-term contracts with non-fixed prices.

2. Short-term expenses are the net expenses the Companies incur to complete the necessary supply portfolio.

3. The wholesale revenue credit, applicable only to Cambridge, represents the variable revenue received on a monthly basis from the

Companies' sales to wholesale customers.

4. Expenses associated with Default Service have been reflected as a reduction to total expense.

Q. How did the Companies calculate expenses for Default Service in this filing?

A. To date the Companies have used one supply portfolio to support both Standard Offer and Default Service. Given the Department's recent orders in Docket D.T.E. 99-60, it is expected that the Default Service supply will be acquired through a separate solicitation and priced in accordance with such solicitation. For 1999 through 2000, however, it was necessary to calculate a Default Service expense for purposes of allocating the cost of power between Standard Offer and Default Service.

In 1999, Default Service expense is the product of a market price of $35.05 per megawatt-hour ("mwh") and Default Service load. The source of the market price for 1999, of $35.05 per mwh, can be found in D.T.E. 99-107, Information Request DTE-1-27, page 7.

To derive an estimated market price for the first eleven months of 2000, a two-step process was used. First, a ratio was determined based on the 1999 market price and the actual 1999 Boston Edison intermediate-peak power purchases. Second, this ratio was then applied to actual/forecast purchases for the first eleven months of 2000; the resulting price averages $57 per mwh. The market price for December 2000 is consistent with the Companies' recent Default Service filing dated

October 11, 2000.

The Companies then multiply the market price times the Default Service load to determine the monthly Default Service expense.

Q. How are the Standard Offer and Default Service deferral balances calculated?

A. The monthly deferrals are the difference between revenues and expenses. The deferrals also incorporate an interest component.

Q. Please explain the interest calculation.

A. The Companies applied the same interest calculation as approved by the Department for the Companies' Restructuring Plan in D.P.U./D.T.E. 97-111. The monthly deferral is the difference between the revenues and the cost of supply for each month. For each month, interest is applied to the prior month's cumulative deferral plus one-half the current month's deferral. The monthly interest is then incorporated in the cumulative deferral. The monthly Standard Offer interest calculation can be found on page 9 in Exhibits CAM-RAP-1, CAM-RAP-2, COM-RAP-1, and COM-RAP-2; the monthly Default Service interest calculation can be found on page 10 of the same exhibits.

Q. What are the deferral balances?

A. Exhibit CAM-RAP-1 identifies the deferral balances as of December 31, 1999 for Cambridge. The Standard Offer Service deferral balance was $(5.8) million and the Default Service deferral balance was $0.5 million.

Exhibit CAM-RAP-2 identifies the projected deferral balances as of December 31, 2000 for Cambridge. The Standard Offer Service deferral balance is forecast to be $1.9 million and the Default Service deferral balance is forecast to be $7.1 million.

Exhibit COM-RAP-1 identifies the deferral balances as of December 31, 1999 for Commonwealth. The Standard Offer Service deferral balance was $19.5 million and the Default Service deferral balance was $0.8 million.

Exhibit COM-RAP-2 identifies the projected deferral balances as of December 31, 2000 for Commonwealth. The Standard Offer Service deferral balance is forecast to be $(7.1) million and the Default Service deferral balance is forecast to be $13.9 million.

Q. Have the Companies proposed to implement the Default Service Adjustment Provision at this time?

A. No. At this time the Companies have not proposed to implement the Default Service Adjustment Provision.

Q. Does this conclude your testimony?

A. Yes.